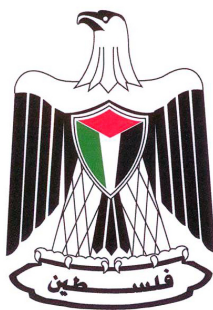


# Exhibit 12

# **THE GOVERNMENT OF PALESTINE'S REPORT TO THE AD HOC LIAISON COMMITTEE**



**27 MAY 2015**

**BRUSSELS, BELGIUM**

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## I. Executive Summary

The Ad Hoc Liaison Committee (AHLC) convenes at an exceedingly difficult and critical time for the National Consensus Government (NCG) and State of Palestine as a whole. The realization of a Palestinian state living in peace and co-existence with the State of Israel is becoming increasingly challenging as the vision for a two-state solution shattered by Israel's continued military occupation and extremist policies.

The 2015 Israeli election results demonstrate a continued trend over the past 20 years of successive Israeli cabinets becoming increasingly radicalized and anti-peace. This was evident during campaigns leading up to the elections where various Israeli political leaders outlined their platforms of hostility toward the Palestinian people and their statehood aspirations. This Israeli government is the most hard-lined administration elected to date. Members of the current Israeli government, during their election campaigns, rejected the two-state solution, insisted on further illegal annexation of Palestinian land, expanding settlement construction, and called for massive transfer of Palestinian population located in Area C and deliberately incited killing of all Palestinians.

The Israeli government's lack of commitment to a negotiated two-state solution is not new. In fact, it follows an intentional policy over the past two decades of military campaigns, closures, blockades, imprisonments without trial, forced displacement, land confiscation, settlement expansion, racist incitement, and confiscation of Palestinian tax revenues. Despite Israel's continued political intransigence, the NCG remains committed to peaceful resistance and nonviolence, continues to move forward on its reform agenda to improve its citizens' quality of life, advance statehood in international forums, and advocate for national unity at home.

The 2014 attack on Gaza and more than 2,200 Palestinian lives lost cannot be forgotten. The damages inflicted on the Palestinians of Gaza by one of the most advanced military apparatus in the world, in direct violation of international humanitarian and human rights laws, continues to devastate and haunt the imprisoned civilian population.

The NCG is determined to hold the occupying power, Israel, and its leaders, responsible for both War Crimes and Crimes against humanity committed during the assault on Gaza. This is underscored by our recent accession to the Rome Statute of International Criminal Court (ICC).

The NCG has been working tirelessly with local, national, and International partners to bring relief to the Palestinian population of Gaza. The government's 'National Early Recovery and Reconstruction Plan for Gaza 2014-2016' (NERRP) presented at the donors' conference in Cairo on October 12, 2014 raised approximately USD 5.4 billion in donor pledges from the international community, with approximately USD 2.8 billion earmarked for Gaza recovery and reconstruction. However, as of this report, around 26% of pledges have been disbursed due to donor concerns over Israel's continued blockade of Gaza, including restrictions on building material imports.

As a direct result of the Israeli attack on the civilian population in Gaza, over 100,000 persons were left displaced and unemployment currently standing at an astronomical rate of 41% as of Q1 2015. This a crucial time for donor pledges to be honoured, at the very least to provide adequate shelter and employment opportunities to those most devastated by the Israeli attacks.

To further guide recovery efforts, the NCG initiated Gaza Detailed Needs Assessment and Recovery Framework (DNA) supported by the United Nations, European Union, and World Bank. The Framework has outlined USD 1.4 billion in damages (to structures, assets and contents of buildings) and USD 1.7 billion in economic losses (comprising lost revenue and unexpected operational costs). The DNA includes recovery frameworks that provide clear priorities and recovery needs across five sectors. However, for the DNA to fulfil its objectives, it is incumbent that the international community apply significant diplomatic pressure on Israel to allow the free movement of goods and people in and out of Gaza. The NCG reiterates the importance of swiftly moving to recovery and reconstruction in order to prevent further conflict and support peace building efforts.

Since the signing of the April 2014 Beach Camp Agreement and subsequent establishment of a National Consensus Government headed by Prime Minister Rami Hamdallah, national reconciliation and unity have been at the top of the government's agenda. The Palestinian people and international community at large welcomed the reconciliation agreement, based on the Quartet's principles. The agreement's implementation is seen as a national priority that will advance Palestinian statehood on the ground and in the international community. The NCG is committed to reinforce the national reconciliation process and deems it essential to facilitate a meaningful recovery of Gaza through a national dialogue with all Palestinian bodies. The NCG is attentive to the urgency related to the reunification of ministries and public administration and is determined to find an equitable resolution for all government as well as previous de facto employees. In addition, in order to effectively govern the Gaza recovery process and its reintegration, the NCG requests the international communities' assistance in ensuring Israel does not restrict the free movement of government representatives between the West Bank and Gaza.

While the NCG deems the reconstruction of Gaza and working to end its prolonged siege to be of utmost priority, it confirms its determination to safeguard Palestinian sovereignty for its population over all Palestinian lands, including Area C and East Jerusalem. To achieve these goals, the NCG reconfirms its commitment to the National Strategic Framework for Development Policies and Intervention in Area C (2014-2016). The political and policy principles of this Framework are based on the underlying premises that Area C is an integral part of an independent State of Palestine, and that the occupation-related obstacles, including restrictions on movement and access, hindrance of economic development, and denial of social justice must be challenged.

Constituting 63.9% of the Occupied West Bank, Israel has restricted Palestine's legitimate land rights use of Area C to less than 1% of Palestinian land. As a direct result of Israel's discriminatory planning policies, 7,000 indigenous Palestinian Bedouins (70% of which are refugees and internally displaced people) have received demolition and forced eviction orders. This translates to 46 Palestinian communities forcibly transferred from Area C by Israel without any alternative housing plan. In an attempt to find a solution to Israel's arbitrary zoning planning, Palestinians communities completed 103 master plans, 75 of which were submitted to the Israeli Civil Administration, and only 3 have been approved to date.

The NCG is deeply concerned with Israel's illegal actions against the Palestinian population in occupied East Jerusalem. Israel's continued provocative actions such as attempts to storm the Dome of the Rock compound, imprisonment of youth including children, home demolition, displacement of Palestinian families by Israeli settlers, confiscation of lands, and expansion of the settler-colonial industrial complex

is creating a volatile atmosphere. To combat Israeli plans, the NCG is committed to adopting and implementing a strategic area-based development approach linking East Jerusalem to its suburban and rural communities, thus preserving territorial continuity and keeping a viable two-state solution alive.

The NCG has been operating in a state of permanent crisis since its establishment. In addition to the various political impediments facing the NCG, the economic and fiscal situation of the Palestinian government to operate and fulfil its obligations to its citizens is further undermined by Israel's monthly freezing of over \$100 million in clearance revenues at the beginning of 2015. The politically motivated freeze in clearance revenues by Israel has further crippled a weakened economy and is seen by many partners as an attempt by Israel to sabotage any Palestinian statehood and reconciliation efforts.

In an effort to create a more attractive market, the Government of Palestine has implemented a variety of economic legislation. This includes the enactment of a new investment law and new income tax law in order to encourage domestic and foreign direct investments.

The 2015 budgeted increase totalled approximately 3.5%, including net lending, however the NCG plans to reduce net lending by 20% through various reforms. As a result of these committed efforts by the NCG, and despite the economic hardships, the recurrent fiscal deficit is expected to decrease by 6%; after having declined by 5% and 4% in 2014 and 2013, respectively. However, the overall deficit is expected to increase by 60% as a result of increased development expenditures directed toward the reconstruction of Gaza following a devastating war.

In the face of the extreme challenges facing the NCG during this reporting period there has been tangible progress made towards establishing the Palestinian State and its institutions. The Palestinian Water Authority (PWA) has developed a Water Sector Strategy, including a responsive legal framework to improve governance and management of water service provision and wastewater collection and treatment. Through efficient and sustainable development and management of natural resources the government has supported optimal use of agricultural land and water resources. In addition, the NCG has strengthened the institutional capacity of the Ministry of Health (MOH) by improving mechanisms for health planning, policy development and systematized monitoring and evaluation system.

Further, the Ministry of Education (MOE) continues to challenge Israeli imposed impediments on the education system especially in Jerusalem, where the Israeli Ministry of Education has attempted to implement its own educational curriculum. In the industrial sector, the Palestinian Industrial Estate Free Zone Authority (PIEFZA) has opened a new industrial park in Jericho that will create thousands of new employment opportunities. Finally, PIEFZA has been successful in encouraging outside investment and the marketing of Palestinian products for export into the global market.

## II. POLITICAL OVERVIEW

After nine months of negotiations collapsed in April 2014, the increasingly challenging two-state solution deteriorated and the realization of an independent and peaceful Palestinian State, co-existing with

Israel, receded into a decades long Israeli policy of military occupation, siege, and dispossession. Undermining Palestinian and international efforts to achieve the long-anticipated two-state solution following Palestinian statehood and the newly-established Palestinian National Consensus Government (NCG), the new right-wing, extremist Israeli government led by Israeli Prime Minister Benjamin Netanyahu refused to come to the negotiating table as a meaningful partner for peace.<sup>1</sup> While the State of Palestine started a new chapter in its history, it was clear that Israel was not yet ready to move toward already established international obligations and commitments toward peace and mutual recognition.<sup>2</sup>

Following the 2014 Beach Camp Agreement, Palestinian President Mahmoud Abbas announced the formation of the NCG technical team, supported by the Palestinian Liberation Organization (PLO) and Hamas. In an effort to resolve divisions between the West Bank and Gaza, the NRC stood united and committed to reinforce national reconciliation and cooperation, sharing a single message of hope and an aspiration for a nation.

As a newly-established state, Palestine pursued its international obligations by acceding, ratifying, and signing over 40 international treaties and conventions. This included the much-debated accession to the Rome Statute of the International Criminal Court, whereby Palestine not only moved to hold Israel accountable for War Crimes and Crimes Against Humanity following Israel's brutal 2014 attack on Gaza (the third such attack on Gaza in six years), but to also place Palestine among nations of conscience. The State of Palestine's accession to the ICC was a direct result of Israel's repeated breaches of international law and unilateral actions on the ground. As Israel continues to systematically target Palestinian civilians in cold blood and continually lay siege to Gaza with impunity, Palestine has chosen not to act as a passive victim.

In response to Palestine's independent move in the international arena, Israel unilaterally acted to collectively punish Palestinians by again violating its commitments under the Paris Protocol of the Oslo Accords. This resulted in Israel freezing over \$500 million of Palestinian tax revenue for four months – effectively suspending civil servant salaries, threatening the livelihoods of over 155,000 of the most vulnerable households, and using our own revenues against us as political blackmail, all in an attempt to halt Palestinian efforts for independence.<sup>3</sup>

Despite these great obstacles, the Palestinian people continually demonstrate incredible resilience and solidarity in the face of hardship. The consequences of a brutal military occupation are not borne by the occupier, but the occupied. This report is an effort to shed light on the increasingly deteriorating state of economic relations and the situation created under the Paris Protocol, a quasi-customs union arbitrarily imposed by Israel's lack of adherence to the Oslo Accords, thereby hindering a sustainable and independent Palestinian economy.

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<sup>1</sup>A statement attributable to the UN Secretary-General declares that "the United Nations stands ready to lend its full support to the newly formed government in its effort to reunite the West Bank and Gaza, in line with the intra-Palestinian unity agreement of 23 April, under one legitimate Palestinian authority, including by addressing the serious political, security, humanitarian and economic challenges in Gaza, and holding long overdue elections." Cf. Statement on the announcement of a Palestinian Government of National Consensus, New York, 3rd June 2014.

<sup>2</sup> <http://www.theguardian.com/world/2015/mar/17/binyamin-netanyahu-israel-arab-election>

<sup>3</sup>Internal report from the Ministry of Social Affairs September 2014 – April 2015.

As the UN declared 2014, the Year of International Solidarity with the Palestinian People, the world followed suit, and more than 80 % of the world's population recognizing the State of Palestine and the humanity of Palestinians.<sup>4</sup>

The NCG has shown steadfast readiness for a compromise and commitment to advancing a permanent agreement in the region based on the Arab Peace Initiative, an agreement supported and recognized by 57 Arab and Muslim countries. In addition, both New Zealand and France have recently announced their support to inject new momentum into the stalled negotiations and prepared draft United Nations resolution aimed at reviving dialogue and setting new foundations and parameters for sustainable peace.

The Israeli government's lack of commitment to a negotiated two-state solution based on already established, internationally recognized borders and human rights has been amplified by the most recent 2015 Israeli elections. The decades past military campaigns, blockades, arbitrary political imprisonments forced displacement, land confiscation, and settlement expansion has openly manifest racist incitement against Palestinians in unprecedented intensity.

"[T]he right-wing government is in danger. The Arabs are going to the polls in droves..." became the rallying call in support of Prime Minister Netanyahu's racist agenda. Convening a government openly calling for the ethnic cleansing of Palestinians highlighted an evolution in Israeli political rhetoric and uncovered a disturbing reality for the world at-large and Palestinians on-the-ground.<sup>5</sup>

The Palestinian National Consensus Government encourages the international community to translate its efforts into concrete, effective actions to compel the Israeli right-wing government to reengage the two-state solution and ensure change toward a just and lasting peace.

Within this reporting period, the NCG, head efforts by Prime Minister Hamdallah, has made vast strides toward revitalizing dialogue with all Palestinian bodies and is committed to democratic presidential and legislative elections. Forming both the Ministerial Committee on Gaza Reconstruction and the National Team Committee, the NCG has injected new energy in managing civil service reintegration and overcome governance challenges within public institutions.

Further, the NCG recognizes the urgency to reunify public offices and ministries, and has developed a 4-phased procedure for integration process that will (1) conduct a registration process to identify those who are physically present in Gaza; (2) reintegrate staff to fulfil identified gaps; (3) supervise disbursement separation for non-integration; and (4) swift appointment of senior leadership teams. This initiative is based on a strong belief that all pre and post June 2007 staff must be treated equally and fairly and that no one will be left behind. Initial steps have already been taken to ensure prompt and efficient implementation.

In addition, the NCG has established technical bodies in an effort to promote a non-partisan national identity, supported by various projects through Birzeit University Institute of Law, the Office of the

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<sup>4</sup>PLO Negotiations Affairs Department publication: "Its time, end the occupation".

<sup>5</sup>[http://www.huffingtonpost.com/2013/07/29/naftali-bennett-kill-arabs\\_n\\_3670767.html](http://www.huffingtonpost.com/2013/07/29/naftali-bennett-kill-arabs_n_3670767.html);  
<http://electronicintifada.net/blogs/ali-abunimah/israeli-lawmakers-call-genocide-palestinians-gets-thousands-facebook-likes>; <http://www.nad-plo.org/index.php>; Al Quds newspaper 25.3.15; State of Palestine, PLO, Special Report, March 29, 2015



President, the Ministry of Justice, and the Ministry of Social Affairs. The committee has undertaken a large body of legislative reform to harmonize the legal frameworks between the West Bank and Gaza, while promoting the rule of law and judicial transparency.

Even with all these earnest efforts by Palestinian bodies and institutions, the key challenge to any forward progress has been, and will remain, the belligerent Israeli military occupation of Palestine. The devastating effects of the Israeli blockade on the civilian Palestinian population has hindered recovery and reconstruction and ensured that the world's most heavily populated, and most brutally shattered strip of land remains a footnote in international human rights and government reports.

The NCG is committed to unifying the Palestinian people, and that begins with immediate end to the blockade on Gaza. The National Consensus Government implores the international community to welcome Palestinian national unity and facilitate the advancement toward a sustainable, lasting two-state solution.

### III. THE OCCUPATION APPARATUS AND ITS REGIONAL IMPLICATIONS

Over the years, successive Israeli administrations have adopted policies to entrench the belligerent military occupation of Palestine, employing measures and practices that deny Palestinians their basic human rights. The occupation is a complex control mechanism imposed to dominate and dictate every aspect of Palestinian existence. The tools used to maintain the occupation include (1) expansion of illegal Israeli settlements; (2) home demolitions, land confiscation, and building construction restrictions; (3) settler violence, arbitrary murder, arrest, and detention of the civilian population; and (4) the prolonged and unlawful annexation of East Jerusalem.

#### 1. ILLEGAL ISRAELI SETTLEMENT EXPANSION

Illegal Israeli settlements in the occupied State of Palestine pose the single greatest threat to the two-state solution and any vision of a viable peace initiative. The past year has seen the highest number of settlement construction tenders issued since 2004, thereby increasing the settler-colonial population to over 576,000 across 43% of Palestinian land in the West Bank. Strategically constructing these settlements in the North and Central regions of the West Bank, the settlements effectively surround East Jerusalem, Bethlehem, and Salfit, ensuring further encroachment onto Palestinian land and impeding any Palestinian land and continuity.

Encouraging settlement construction, Israel has adopted a policy to retroactively approve illegal Israeli outposts, thereby paving the way for new settlement construction. This policy has resulted in a 30% increase in outpost colonies since 2011, which have in turn led to the establishment of 25 additional illegal Israeli settlements.

These settlements will comprise of over 4,000 new residential units and are expected to house over 20,000 additional settler-colonists on top of stolen Palestinian land.<sup>6</sup> In addition, there are currently 100 illegal outposts in the west Bank with 10,000 settlers. Based on Israeli policy on settlements, these outputs will likely be retroactively approved as official Israeli settlements and the settler-colonial industrial complex will expand to secure contiguous Israeli settlement blocs, maintaining movement advantage over Palestinians and further besiege Palestinian land.<sup>7</sup>

Immediately following the appointment of new extremist, right-wing Israeli coalition government, PM Netanyahu announced a series of settlement construction, including 1500 new illegal settlement units in Jabal Abu Ghneim ('HarHoma'), 1500 units in Occupied Jerusalem ('Ramat Shlomo'), and the latest policy implementation to connect three of the largest Israeli settlements from the occupied West Bank to East Jerusalem.<sup>8</sup> In an effort to "Judaize" Jerusalem by implementing a policy to maintain a 70% Jewish majority over a 30% Arab minority in Jerusalem (2020 Jerusalem Master Plan), Israel has been on racist spiral in direct contravention of international law and basic principles of human rights.<sup>9</sup>

Israel's settlement expansion policy has been further facilitated by numerous Israeli Supreme Court rulings upholding discriminatory directives such as the forcible transfer of Palestinian Jerusalemites and dispossessing them of their land, thereby paving the way for transferring Israeli populations onto Palestinian property. The latest in a round of disconcerting rulings includes the application of the 1950 Absentee Property Law on property in East Jerusalem of the West Bank and Gaza residents.<sup>10</sup> The law paves the way for land confiscation by Israel without restitution or compensation to the Palestinian owners.<sup>11</sup>

Despite international condemnations for Israel to halt any and all settlement expansion, the international community's inaction has opened the door for continued Israeli exploitation of Palestinian land with impunity, and also allowed for a state-sanctioned policy of settler violence against the local Palestinian population and property damage.<sup>12</sup>

## 2. HOME DEMOLITIONS, LAND CONFISCATION, AND BUILDING CONSTRUCTION RESTRICTION

While settlements are built up at unprecedented rates, Palestinian homes and structures are demolished at even more disturbing numbers. Between September 2014 and March 2015, 396 Palestinian structures were demolished in East Jerusalem and the West Bank. United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) reported that in 2014 alone, 1177 Palestinians were

<sup>6</sup>Settlement watch, Peace now, March 2015 [www.peacenow.org.il](http://www.peacenow.org.il)

<sup>7</sup>Settlement watch, Peace now, March 2015 [www.peacenow.org.il](http://www.peacenow.org.il)

<sup>8</sup> Ma'ale Adumim, Mishor Adumim and Kfar Adumim

<sup>9</sup> [http://www.palestine-studies.org/sites/default/files/jq-articles/51\\_\\_The\\_Jerusalem\\_Master\\_plan\\_1.pdf](http://www.palestine-studies.org/sites/default/files/jq-articles/51__The_Jerusalem_Master_plan_1.pdf)

<sup>10</sup><http://www.haaretz.com/news/national/1.652231>

<sup>11</sup> <http://www.adalah.org/en/law/view/538>

<sup>12</sup><http://www.alhaq.org/publications/publications-index/item/institutionalised-impunity-israel-s-failure-to-combat-settler-violence-in-the-occupied-palestinian-territory>

displaced from their homes and 590 structures were demolished in East Jerusalem and Area C – the highest numbers UNOCHA has ever recorded.

Between 1988 and 2014, the Israeli Civil Administration issued approximately 14,000 demolition orders against Palestinian-owned structures in Area C, almost 20% have been implemented and 11,134 demolition orders are currently outstanding, most of which are concentrated in areas the United Nations has designated as highly vulnerable.<sup>13</sup> UNOCHA reports indicate a worrying increase in the number of donor-funded structures that received stop-work orders, including 27 structures that are at risk of demolition, of which 15 are indigenous Bedouin communities (of 46 overall Bedouin communities in the West Bank) continually at grave risk of displacement as a direct result of Israeli “relocation plan” to forcibly transfer Bedouin communities to make space for further Israeli settlement construction.<sup>14</sup>

**Table 1: Demolitions of structures and people displaced due to demolitions<sup>15</sup>**

	September 2014	October 2014	November 2014	December 2014	January 2015	February 2015	March 2015
<b>Demolitions</b>	62	50	48	38	86	17	95
<b>People displaced</b>	142	97	136	18	117	0	110

Source: UNOCHA

### 3. ISRAELI SETTLER VIOLENCE AND SETTLER-RELATED ATTACKS RESULTING IN CASUALTIES AND/OR PROPERTY DAMAGE

In the 2013 U.S. Department of State Country Report on Terrorism, the U.S. issued an advisory on “price-tag” attacks of Israeli settlers against Palestinians.<sup>16</sup> The report stated in part:

““Price tag” attacks (property crimes and violent acts by extremist Jewish individuals and groups in retaliation for activity they deemed to be anti-settlement) expanded into Israel from the West Bank in 2013[.] Incidents included:

- In July, gravestones in a Christian Orthodox cemetery in Jaffa were vandalized with the words “revenge” and “price tag.” Price tag graffiti was also found on a residential building near the cemetery.

<sup>13</sup> UNOCHA Humanitarian bulletin, monthly report March 2015

<sup>14</sup> UNOCHA Humanitarian bulletin, monthly report February 2015

<sup>15</sup> UNOCHA Humanitarian bulletin, monthly report February 2015

<sup>16</sup> <http://www.state.gov/j/ct/rls/crt/2013/224823.htm>

- In August, the Beit Jamal Monastery near Jerusalem was firebombed and spray-painted with the words “death to the Gentiles” and other slogans.”<sup>17</sup>

Although individual settler groups perpetrate the attacks, they act under the Israeli military (Israeli Occupation Forces) protection and are not subject to any legal action or prosecution.

In addition to settler attacks, state-sanctioned Israeli violence against Palestinians has been at an all-time high. The past 12 months have been the most violent year of the past decade, claiming the lives of 56 Palestinian civilians and injuring 5,868 in the West Bank and East Jerusalem alone, culminating in only a single indictment.

A recent UN Secretary-General report highlighting Israel’s excessive use of force against civilians shows that individuals killed or seriously injured by the Israeli Occupation Forces (IOF) posed little or no threat to Israeli security.<sup>18</sup> In addition, twelve of the Palestinians killed and 1,188 of those injured by the IOF in the West Bank were children under the age of 18, underscoring Israel’s disregard for the civilian population and human life. In the first four months of 2015, there were 9 Palestinian fatalities and 653 injuries at the hands of the IOF, without a single indictment or investigation by the Israeli government.

One such example is the murder of senior minister Ziad Abu Ein, who was attacked indiscriminately by the IOF while participating in a nonviolent demonstration, including planting olive trees, to mark the International Day for Human Rights while in the village of Turmus ‘Ayya, northeast of Ramallah. Autopsy results show that he sustained a violent blow to the diaphragm and suffered from heavy tear gas exposure by Israeli soldiers.

In addition to state-sanctioned settler violence and military brutality against a civilian population, Palestinians are systematically subjected to arbitrary political imprisonment and administration detention, often held for months without charge or trial, denial of rights, and without access to counsel. As of 22 May 2015, there are 182 children between the ages of 12 and 17 under Israeli Military Detention and approximately 450 Palestinian prisoners of conscience sitting in administrative detention, 15 of which are Palestinian members of parliament, including Minister Khaleda Jarrar.<sup>19</sup>

In an open letter signed by 58 members of the European Parliament, Ms. Jarrar’s arrest was described as a clear “political attempt to undermine Palestinian leadership and thwart Palestinian attempts to pursue justice in the [International Criminal Court]”<sup>20</sup>.

<sup>17</sup> <http://www.state.gov/j/ct/rls/crt/2013/224823.htm>

<sup>18</sup> UNOCHA Humanitarian bulletin, monthly report December 2015

<sup>19</sup> [http://www.dci-palestine.org/children\\_in\\_israeli\\_detention](http://www.dci-palestine.org/children_in_israeli_detention);

<http://english.palinfo.com/site/pages/details.aspx?itemid=70985>

<sup>20</sup> <http://www.aljazeera.com/news/2015/04/palestinian-legislator-khalida-jarrar-arrested-west-bank-150402153711365.html>

Moreover, Israeli settlers continuously vandalize Palestinians agricultural lands. Over 100,000 Palestinian families depend on the annual olive harvest for their livelihoods, yet Israeli settlers uproot thousands of Palestinian trees without investigation by the Israeli government. The Israeli government disregards 96% of complaints filed by Palestinians, and not one case has resulted in an indictment.<sup>21</sup> In the village of Turmus 'Ayya, 5,000 trees were uprooted during the last harvest, thereby depriving an entire village of an annual income and sustenance. This growing trend has seen unprecedented increases in recent months. By the end of January 2015, settler-colonists had uprooted and vandalized half the number of trees uprooted in the preceding twelve months. This translates to uprooting and vandalizing an entire month's worth of settler attacks every two days during the month of January.

**Table 2: Summary of Israeli-settler related incidents resulting in casualties or property damage<sup>22</sup>**

	September 2014	October 2014	November 2014	December 2014	January 2015	February 2015	March 2015
<b>Settlement activity and settler violence</b>	<b>28</b>	<b>76</b>	<b>117</b>	<b>86</b>	<b>63</b>	<b>64</b>	<b>70</b>
<b>Incidents leading to Palestinian casualties</b>	<b>3</b>	<b>6</b>	<b>14</b>	<b>4</b>	<b>8</b>	<b>6</b>	<b>13</b>
<b>Incidents leading to Palestinian property and land damage</b>	<b>5</b>	<b>19</b>	<b>17</b>	<b>18</b>	<b>17</b>	<b>10</b>	<b>8</b>

Source: UNOCHA and the Negotiations Support Unit (NSU)

#### 4. THE SITUATION IN EAST JERUSALEM FROM SEPTEMBER 2014 TO APRIL 2015

Since the Ad Hoc Liaison Committee last convened in September 2014, Israel has significantly increased its efforts to separate Jerusalem from the West Bank through its policies to Judaization of Jerusalem and the 70:30 Master Plan, the forcible transfer of Jerusalemites, and the application of Apartheid legislation.

<sup>21</sup> UNOCHA Humanitarian bulletin, monthly report February 2015

<sup>22</sup> UNOCHA Humanitarian bulletin, monthly report March 2015

The forced displacement of Jerusalemites has increased dramatically in recent years through various discriminatory Israeli laws that have paved the way for racist policies arbitrarily applied to the Palestinian population of Jerusalem. As the Israeli Apartheid Wall continues to snake its way through Palestinian land and neighborhoods, Israel's campaign to undermine international law has created an implementation mechanism to justify forced displacement. One such displacement policy has been dubbed the "silent deportations" whereby Israel revokes Jerusalemite residency statuses without notice unless individuals are able to prove that Jerusalem is their "center of life".

The 1950 Absentee Property Law coupled with the 1953 Land Administration Law has ensured that Jerusalemite Christians and Muslims are punished for not sharing the Jewish faith. In addition, Israel forces a Jewish-only historical narrative of the city, thereby erasing any all non-Jewish culture from the land and maintaining effective control of all non-Jewish holy sites, including the Holy Sepulchre and Al-Aqsa Mosque.

#### IV. Preserving and Developing Area C

Constituting 63.9% of the Occupied West Bank, Area C is an integral part of Palestine's territory. As such, the Palestinian government and other development partners must be allowed to unlock the great economic potential of this area through development and other projects, including construction of housing and basic infrastructure.

Although the international community has demonstrated strong support to Palestine's position regarding development in Area C and has lent its support to planning and other related efforts in addition to development projects, bolder steps must be taken, namely abandoning the Israeli-imposed restrictions on development through zoning requirements. While this means that the risk of Israeli demolition and obstruction will become higher, Palestine maintains that such risks must be taken and accounted for in all project assessments. The continued delays unjustly deny Palestinians their right to access the economic potential of the area and help alleviate fiscal crises.

In addition to economic concerns, developing Area C is crucial to the protection and preservation of the Palestinian communities and the area's significance as a heritage site with open access to all people worldwide.

Earlier this year, the Palestinian Government produced the National Strategic Framework for Development Policies and Interventions in Area C, 2014-2016 (the Framework), which outlines the denied development potential and presents short and long term goals to be achieved through development interventions that safeguard the principles of a two-state formula on the 1967 borders. The political and policy premise of the framework centres on the fact that Area C is an integral part of the Occupied Palestinian State, and as such, will constitute a vital part of the future independent Palestinian State. Further, the plan builds on the international consensus that Palestinian development and economic recovery is contingent upon the ability to access this strategic part of occupied Palestinian land and ability to access its essential resources. Additionally, The Framework defines 18 strategic issues

in the fields of governance, social development, infrastructure and economy that aim at intensifying the development and intervention efforts in Area C.

Furthermore, the Palestinian Government is currently developing a work plan that translates the Framework into concrete actions. The work plan will adopt an integrated and consolidated approach aimed at moving away from the area-based ABC divisions towards a more holistic geographical approach. Additionally, the Palestinian government is actively working on addressing the development gaps between built up areas in cities and rural areas and vicinity in Area C. Despite the challenges of working in Area C, the Government of Palestine, along with the international community, has implemented a number of small, yet effective interventions.

Additionally, the NCG has demonstrated a strong desire to enhance development needs through sustainable mechanisms targeted at ensuring full national ownership and securing national priorities. Through the multi-donor funded Community Resilience and Development Programme (CRDP) and other initiatives, the Palestinian government and international partners have engaged in Area C and East Jerusalem to address the challenges facing these communities, and facilitate a complementary approach and transition process from humanitarian interventions toward multi-lateral development.

The major constraints affecting development interventions in “Area C” are imposed by the Israeli and are of administrative, political, and technical in character. The limitations on land available for Palestinian use are increasingly alarming, the Framework stipulates that less than 1% of “Area C” is allocated by Israeli authorities to Palestinian use, nevertheless it is subject to severe restrictions and an elaborate permit scheme that poses as one of the major obstacle to the NCG development opportunities in “Area C”.

The discriminatory and inequitable planning system Israel has imposed on Area C has deprived Palestinians of basic rights to build, while the Israeli Civil administration supports the flourishing of illegal settlement expansion. Palestinian local communities in Area C have submitted approximately 75 master plans to the Israeli Civil Administration to develop national infrastructure and housing projects in Area C. However, due to overly discriminatory Israeli procedures and constraints, only three communities received approval since 2011. This coupled with Israel’s restriction on Palestinian use of less than 1% of land use in Area C has ensured a defunct community planning system and lack of basic infrastructure development. These are just some of the countless daily occurrences faced by the Palestinian government and Area C communities.

Despite Israel’s persistent efforts to hinder progress in Area C, several projects have been implemented by Palestinian and joint Palestinian-International coalitions to support local advancement, including:

- Funding of 49 projects with spectrum of implementing partners;
- Enhancement of public and social infrastructure, including schools, cultural centers, and health service centers;
- The rehabilitation of 8 schools and 47 school units, including 4 special needs facilities, enhancing learning environments of 1,072 students; and

- Housing initiatives to provide dignified and adequate housing to 840 Palestinians, among numerous other initiatives.

The Palestinian Government remains committed to safeguarding Palestinian sovereignty and to improving the resilience and livelihood of the communities in Area C.

## V. PROGRESS AND CHALLENGES OF THE PALESTINIAN STATE AND ITS INSTITUTIONS

The National Consensus Government reaffirms its commitment to four mega sectors tasked with launching the Palestinian state and its institutions through the 2014-2016 National Development Plan, including governance and institution building, social protection and advancement, economic development, and employment and adequate infrastructure.

### 1. WATER AND AGRICULTURE

As a direct result of discriminatory Israeli water policies and practices, the Palestinian Water Authority (PWA) functions under severe water shortages, affecting millions of Palestinians daily. Without access to, and control over trans-boundary freshwater reserves and resources, Palestinians have little hope of building a sovereign and sustainable Palestinian state.

In direct contravention of international law, Israel exploits 90% of freshwater resources, allowing Palestinians access to only 10%. This translates to the average daily use of 280 litres of water per capita per day in Israel and only 73 litres per capita per day in the West Bank – over 25% less than World Health Organization minimum recommendations. The UN estimates that by 2016, Gaza will run out of clean drinking water and underground aquifers will suffer irreversible damage by 2020 if the current state of water allocation continues.<sup>23</sup>

Through efficient and sustainable development and management of natural resources, the Palestinian government has facilitated optimal use of agricultural lands and water resources, including the development of 1470 dunums of government forestland. To enhance farmers' resilience and protect national agricultural products, the Ministry of Agriculture (MOA) has initiated projects targeting farmers directly affected by illegal Israeli settlements in the West Bank and Gaza Strip. Institutional development in this sector has resulted in newly approved legislation and enhanced international relations and resource mobilization. The MOA has also invested its efforts in improving internal transparency and accountability. The launching of 2 sector plans: "Agricultural Sector Strategy" and the "Palestinian National Olive Sector Strategy" will further advance work within the sector thereby improving agricultural marketing and facilitating Palestinian exports. Through the National Green Palestine program, The General Directorate of Extension and Rural Development has distributed and planted 1,280,000 seedlings since 2014.

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<sup>23</sup><http://www.independent.co.uk/news/world/middle-east/the-water-is-running-out-in-gaza-humanitarian-catastrophe-looms-as-territorys-only-aquifer-fails-8679987.html>



## 2. HEALTH AND EDUCATION

The NCG has strengthened institutional capacity of the Ministry of Health (MOH) by improving mechanisms for health planning, policy development and systematized monitoring and evaluation systems. The MOH strives to enhance partnerships and coordination among stakeholders especially health service providers reducing duplication and promoting efficiency and effectiveness. Interventions include implementing the Master Planning for hospitals in the West Bank and East Jerusalem.

In addition, the MOH has developed a special taskforce aimed at identifying and assessing developmental policies through three regional committees. Current projects include the establishment of the National Observatory for Human Resources and the Central Medical Stores Project.

Although the Israeli occupation seeks to continually impose impediments on Palestinian sovereignty, Palestinian government bodies continually seek new and innovative ways to sidestep the occupation. In the past year, the Ministry of Education oversaw teacher training through e-Learning modules, the production of nearly 1.7 million textbooks, and water maintenance systems at 142 schools. In conjunction with the Ministry of Health, the Ministry of Education was able to conduct 90% of medical assessments and 99% of students were vaccinated – including students in Area C schools.

## 3. ENERGY

Israeli imposed restrictions prevent the construction of power network across large parts of West Bank including, and as a result, discourage private sector investments in much needed sectors across Palestine. This has presented an enormous challenge to the Palestinian Energy Sector (PEA). The NCG is working to combat the accumulation of debt for non-payment of electricity bills to its largest supplier, the Israel Electric Corporation (IEC). During this reporting period, the PEA has contracted for solar-powered plant installations, completed new legislation on renewable and efficient energy, and launched a solar power generation plan in Jenin. The PEA has also supplied material for the rehabilitation of electricity networks in the Gaza Strip, valued at USD 3.5 million.

## 4. INDUSTRY

The industrial sector is critical to improving living standards and decreasing unemployment. The Palestinian Industrial Estate Free Zone Authority (PIEFZA) is leading sector development and has been successful in encouraging investment and marketing Palestinian exports into the global market. Prior to the Israeli attack on Gaza in 2014, the industrial sector had expanded and grown across Palestine, most specifically in Bethlehem, Jericho, and Jenin. Bethlehem Industrial Estate expanded with nine new factory lease agreements supporting essential service infrastructure, 24 new lease agreements in the Jericho Agro-Industrial Park, and an electricity substation was constructed in Jenin. Unfortunately however, Gaza suffered direct and indirect economic hits of USD 10 billion and USD 50 million respectively as a result of Israel's attack in 2014.

The NCG continues to face immediate and critical challenges in meeting funding gaps required to expand and strengthen its work. While the recovery and reconstruction in Gaza is a top priority, it

should not come at the expense of pursuing the primary goal of the two-state solution through coherent state building.

## VI. ECONOMIC AND FISCAL DEVELOPMENT

### 1. FISCAL OVERVIEW

The AHLC convenes at a highly decisive time when economic and fiscal circumstances are increasingly challenging. The failed round of negotiations in April 2014, coupled with the 52-day Israeli military attack on Gaza and increased Israeli aggression in the West Bank has further crippled an already weak economy. Gross Domestic Product in Palestine contracted by 0.37% in 2014 and fell by a devastating 15.2% in Gaza while experiencing a growth of 5.1% in the West Bank.

The financial crisis was further intensified by Israel's refusal to release Palestinian clearance funds for four consecutive months, in direct violation of the Oslo Accords and international law against collective punishment. In an effort to thwart Israeli attempts at threatening the very existence of Palestine, the NCG implemented a host of measures, including (1) the adoption of an emergency liquid budget, by limiting both wage and operational expenditures; (2) increase domestic bank financing to endure expenditures.

Although Israel eventually released the clearance funds to the Palestinian government, the economic and fiscal future remains bleak. This uncertain future is marred by both the recent formation of the extremist, right-wing Israeli government and donor funds pledged during the Cairo Conference October 2014 that have yet to materialize.

Palestine, however, remains committed to reducing its budget deficit through enhanced revenues and expenditure control, as shown below.

#### 2015 Budget: State of Palestine

Budget Classification	FY 2014	Budget 2015	Change
	NIS million <sup>24</sup>	NIS million	%
<b>Total Gross Revenues</b>	10446	10,997	5.3%
<b>Total Net Revenues</b>	9818	10,597	7.9%
<b>Gross Domestic</b>	3114	3,300	5.9%

<sup>24</sup> New Israeli Shekel

<b>Revenue</b>			
<b>Domestic Tax Revenues</b>	2149	2,277	6.0%
<b>Clearance Revenue</b>	7331	7,697	5.0%
<b>Tax Refunds (-)</b>	628	400	-36.3%
<b>Nontax Revenues</b>	965.7	1,023	5.9%
<b>Investments Profits</b>	40	80	102.0%
<b>Total Expenditure and Net Lending</b>	14556	15,059	3.5%
<b>Wages and Salaries</b>	7336	7,617	3.8%
<b>Nonwage Expenditures</b>	6198	6642	-
<b>Social contributions</b>	680	683.3	0.6%
<b>Net lending</b>	1022	800	-21.7%
<b>Current Balance</b>	-4739	(4,462)	-5.8%
<b>Development expenditure</b>	938	4,600	390.7%
<b>Balance</b>	-5676	(9,062)	59.7%
<b>Financing</b>	5676	9,062	59.6%

<b>Budget Support</b>	3676	4,662	26.8%
<b>Development Financing</b>	726	4,400	505.9%

#### Revenues:

The NCG projects to achieve an 8% growth in total revenue for the 2015 fiscal year through the following measures:

- Increasing domestic tax revenues by 6% through broadening the tax based (registered tax payers);<sup>25</sup>
- Legislative amendments to revise the investment promotion law revoking full tax breaks;<sup>26</sup>
- Revision of domestic fees and tariffs slated to take full effect June 2015, expanding domestic revenue, thereby increasing non-tax revenue by an additional 5% from 2014;
- Fuel subsidies will be capped at NIS 25 million per month; and
- Enhancement of clearance revenues through renewed negotiations with the Israeli Ministry of Finance to settle outstanding Palestinian revenue and Israel's unilateral deductions and withholdings.

#### Total Expenditures for 2015:

- Currently an estimated 3.5% budget increase in total expenditures, including net lending;
- Capped wage expenditures are capped at 3.8%;<sup>27</sup>
- Nonwage expenditures are projected to increase by 7%; and
- Strategy implementation to reduce net lending by 20% through institutional resolving Israel's unilateral deductions and withholdings.

#### Net lending reforms include:

- i. Preventing municipalities from using electricity fees for general expenditure purposes. The NCG will commit to the monthly transfer of revenue to the municipalities;
- ii. Strengthening mechanisms to ensure electricity providers in the West Bank and Gaza disburse payments to the Israel Electricity Company (IEC), in a timely manner to avoid financial penalties;
- iii. The installation of prepaid meters, including in refugee camps;<sup>28</sup>
- iv. Increased control over distribution companies;

<sup>25</sup> 2014: 93% additional taxpayer target was achieved

<sup>26</sup> Does not apply to agricultural sector

<sup>27</sup> Comprised of (i) annual increase of 1.25%; (ii) inflation rate of 1.8%; and (iii) contingent liabilities budgeted at 0.75%.

<sup>28</sup> In Balata refugee camps, prepaid meters were installed throughout 70% of the camp.

- v. The Palestinian government has established the Palestinian Electricity Transmission Company (PELT), streamlining 230 connection points to a single connection point to IEC. This will:
  - Improve the existing network and reduce the volume of technical losses;
  - Centralize purchase agreements with electricity suppliers to redefine import costs; and
  - Provide PELT with jurisdiction to disconnect electricity for municipalities/distribution companies who do not commit to payments.
- vi. Retrospective audit of the electricity deductions by Israel over the past 10 years.<sup>29</sup>

## 2. THE BUDGET DEFICIT AND FINANCING:

Despite the harsh economic reality the Palestinian government has faced, the resultant effort is expected to achieve a 6% budget deficit decrease following a 5% and 4% fall from 2014 and 2013 respectively. The overall deficit however, is expected to increase by 60% as a direct result of increased development expenditures expected toward Gaza's reconstruction. The overall expenditure increase is expected to reach USD 1.15 billion (or an estimated 390%).

This overall deficit increase has been slated to be mitigated by the international donor community where (i) external budget support is expected to increase by 27% (reaching USD 1.16 billion, given a lower base in 2014), and (ii) a significant increase in development financing by almost 500% (where it is projected to reach USD 1.1 billion). Finally, the Ministry of Finance is committed to repaying USD 300 million in private sector arrears in order to ease the burdens of the local market and inject market confidence in already strained private sector operating in a harshly restrictive environment on mobility and business expansion.

## VII. GAZA RECOVERY AND RECONSTRUCTION

### 1. OVERVIEW

Decades of occupation, border restrictions, and repeated conflicts have left Gaza residents and the economy in an extremely vulnerable, isolated and impoverished condition. While Gaza was in the grips of a humanitarian and environmental crisis before the assault began, the latest war on Gaza in July 2014 lead to further destruction and a tremendous decline in the economic and social situation. Currently, over 80% of the Gaza population is dependent on aid, while 47% are food insecure. Unemployment rate stands at an astonishing 43%, amongst the highest in the world, while the rate of grew from 28% in 2013 to 39% today.

Although the industries sectors (including fishing, agriculture, manufacturing) have been the primary drivers of Gaza's economy, these sectors have witnessed a significant and devastating consequence as a result of the assault. Currently, over 35% of agricultural land is inaccessible to farmers due to Israeli imposed restrictions leading to an annual loss of approximately USD 50 million per year. The limitations imposed on fishermen regarding the number of nautical miles they are allowed to access has resulted in

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<sup>29</sup> This is likely to show an over estimation of electric bills due to an absence of meter reading access over this time.

a loss of USD 26 million annually. Additionally, approximately 95% of Gaza's factories were forced to close since the siege.

The July 2014 attack on Gaza left 2,220 Palestinians killed (1,492 civilians), including 581 children, and an additional 11,231 injured. The conflict destroyed entire communities with around 60,000 destroyed or damaged homes, leaving more than 500,000 people internally displaced. About 142 families lost 3 or more family members, and more than 1,900 children lost 1 or more parent. In the wake of the massive displacement, loss of livelihoods and productive assets, the level of poverty and vulnerability has drastically increased, with more than half a million in need of food assistance and aid to re-establish adequate living standards. Infrastructure, including the power plant, and water and sanitation networks suffered tremendous destruction. According to the National Early Recovery and Reconstruction Plan (NERRP) the total reconstruction needs for Gaza stand at around USD 4.4 billion.

## 2. CONFERENCE ON PALESTINE: RECONSTRUCTING GAZA

Following the last AHLC meeting in New York, the Governments of Palestine, Norway, and Egypt convened the "Conference on Palestine: Reconstructing Gaza" (the Cairo Conference) on October 12, 2014 in Cairo to present the NERRP and seek donors support. At the Cairo Conference, the international community pledged approximately USD 5 billion to the Palestinian Government, of which USD 3.5 billion was earmarked for Gaza recovery and reconstruction effort. Of the USD 3.5 billion that was pledged at the conference, USD 2.5 billion is new funding announced at the Cairo Conference; USD 314 million is existing commitments pledged in support to Gaza both prior or post the conference; USD 477 million represents the reallocation of existing commitments; and USD 194 million is the sum of assistance disbursed during the conflict. Following the Cairo Conference, the Ministry of Planning worked with the World Bank on a stocktaking exercise to identify disbursement rates of the Cairo pledges. The findings of the exercise are highlighted in the next section.

## 3. DISBURSEMENTS OF THE CAIRO PLEDGES

Of the approximately USD 2.8 billion pledged at the Cairo Conference, only USD 941 million has been disbursed – translating into approximately 26% of the total sum pledged. As April 2015, only 21 donors have disbursed 100% of the pledged funding and 27 donors have disbursed less than 50%. Additionally, a number of donors have signed agreements or earmarked amounts ready for disbursement and implementation. As such, USD 1.4 billion of the USD 3.5 billion pledged funding has been met by donors either through disbursements, signed agreements, or actual commitments.

### A. Summary of Needs Per Sector, Disbursements and Funding Gap

The following section provides an outline pertaining to the most urgent needs per sector, based on the NERRP assessment, in addition to an overview of the disbursements as of today, and the funding gap identified per sector.

**i. Infrastructure (Rubble & ERW, Energy, Water& Sanitation, Housing & Shelter, Governmental and Other Public Infrastructure, Border Crossings, Roads, Environment)**

Damage to Gaza's infrastructure was enormous. As of March 2015, only 10% of rubble has been removed due to a funding gap of nearly \$8 million.<sup>30</sup> By the end of February 2015, none of the 120,000 destroyed or severely damaged homes have yet been rebuilt or rehabilitated primarily due to the slow pace of pledged disbursements and compounded by delays in the Israeli clearance of projects. While approximately 58,000 families have purchased restricted building materials through the temporary Gaza Reconstruction Mechanism (GRM), virtually all of these cases involved homes requiring minor repairs rather than complete reconstruction. As of 3 April 2015, 7,072 internally displaced persons (IDPs) are still living in very precarious conditions.

Public infrastructure was severely impacted, resulting in the lack of basic services, including water, electricity and sanitation. Approximately 1.8 million Palestinians continue to suffer due to lack of water and 190,000 are operating with less than 2 hours or no access, to electricity per day. In addition, the physical and environmental degradation in Gaza is imminent with the coastal aquifer's complete depletion is projected by 2016 and severe pollution rendering 95% of Gaza's water unpotable. Gaza's sole power plant continues to lack funds to replenish fuel reserves and thus contributed to its reduced capacity. In addition, the chronic lack of fuel is affecting the functioning of health services including hospitals and ambulance, and prevents the adequate delivery of basic services necessary to meet humanitarian needs and enable a functioning economy.

The total estimated need for recovery and reconstruction in Gaza within the infrastructure and environment sector is USD 1.9 billion. As of today only USD 184.2 million has been disbursed resulting in a colossal funding gap of approximately USD 1.7 billion.

**ii. Social sector (Social protection, Health & Psycho-Social Care, Education & Higher education, Civil Society)**

The health sector nearly buckled due to the massive losses, both of personnel (more than 100 health workers were killed), shortage of medicines and medical equipment as well as the loss of facilities, (75 hospitals were damaged). Reconstruction has barely started, as there is currently only funding available for rehabilitation of 10 hospitals and 10 primary health clinics. Around 21 educational institutions were completely destroyed and another 546 facilities were damaged, impacting more than 559,000 students. As of January 2015, only 36 schools with minor damages had been repaired. The funding needs for this sector outlined by the NERRP is USD 701 million. Due to the lack of donor pledges only USD 57.9 million has as of April 2015 been disbursed, with a remaining funding gap amounting to USD 643.08 million.

**iii. Economic (agriculture, industry & Manufacturing, trade & services, employment, promoting investment)**

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<sup>30</sup> UNOCHA Humanitarian bulletin, February 2015.

The Economic sector was seriously impacted particularly agriculture, including damage to productive infrastructure such as beehives, fishing boats, water wells, plantations, and livestock. It is estimated that 29,299 jobs were lost due to the aggression. The industry and private sector were also grossly affected, with immense loss of property, equipment, stock inventories, and raw materials. Agricultural losses were also widespread and more than 5,420 families were affected by the loss of productive assets. The economic sector needs sit at approximately USD 1.2 billion, while the donor funding as of today has only contributed to a disbursement of USD 162.9million. As such, the funding gap is estimated to be USD 1.073 billion.

**iv. Governance (functioning of central and local public institutions, the rule of law and human rights and implementation and coordination)**

Governmental and security institutions were nearly brought to a standstill, inhibiting the ability to deliver vital public services as a result of the war on Gaza. Public services are severely constrained by the lack of physical and financial resources exacerbated by the salary crisis and withholding of tax revenues, and thus are failing to meet the basic needs of the populations' health, education, and social protection needs. The recovery and reconstruction needs within the governance sector are estimated by the NERRP to be USD 183million, of which a mere USD 2.7million have been disbursed, with a funding gap estimated to be USD 180.2 million.

**v. Humanitarian assistance and other disbursements**

In addition to the disbursements outlined in the above, USD 38million in funding has been utilized across a number of sectors. Moreover, nearly 50% of the total disbursements as of today, amounting to a total of USD 494.6 million have been distributed to meet the immediate humanitarian needs of the Gazan people. The funding has provided cash assistance, food assistance to non-refugees, health and medical support, shelter and other emergency interventions.

The total cost of the reconstruction are estimated at approximately USD 4 billion, while the total disbursed as of today is only USD 940million to ensure a sustainable recovery and reconstruction of Gaza. The NCG estimates a funding gap of USD 3.6 billion. For the NCG and local authorities to be able to restore and improve service delivery and create employment opportunities for the Palestinian population of Gaza, it is imperative that the donor community releases funds to cover the funding gap or the alternative may result in another round of conflict and further political instability.

**Table 13: Summary Table of Recovery Needs across 4 sectors (\$ million) disbursements and funding gaps**

SECTOR	SUBSECTOR	NEEDS (NERRP)	DISBURSED	FUNDING GAP
INFRASTRUCTURE & ENVIRONMENT	Energy	185	86	99
	Water	236	6.07	229.93
	Public Works, rubble & ERW, housing & shelter, Security, roads, environment	1,342	65.28	1276.72
	Municipal development	149	26.9	122.1



	<b>Subtotal</b>	<b>1,912</b>	<b>184.25</b>	<b>1,727.75</b>
<b>SOCIAL</b>	Health	218	37.890	180.11
	Education	121	0.219	120.781
	Other including: Social protection, Culture & sports and gender	317	19.809	297.191
	Civil Society	45	0.000	45
	<b>Subtotal</b>	<b>701</b>	<b>57.92</b>	<b>643.08</b>
<b>ECONOMIC</b>	Agriculture	451	2.610	448.39
	Employment/Job creation	69	2.870	66.13
	Industry& Manufacturing,	359	157.320	201.68
	Trade & services	207	0.000	207
	Promoting investment	150	0.000	150
	<b>Subtotal</b>	<b>1236</b>	<b>162.800</b>	<b>1,073.20</b>
<b>GOVERNANCE</b>	Operational capacity of central & local Gov. inst.	144	0	144
	Justice: Rule of Law and Human Rights	7	2.74	4.26
	Implementation and coordination	32	0	32
	<b>Subtotal</b>	<b>183</b>	<b>2.74</b>	<b>180.26</b>
<b>OTHER INCLUDING HUMANITARIAN</b>	Humanitarian	494.46	494.46	0
	Others	38.05	38.05	0
	<b>Subtotal</b>	<b>532.51</b>	<b>532.51</b>	<b>0.00</b>
<b>TOTAL</b>		<b>4,032.000</b>	<b>940.218</b>	<b>3,624.292</b>

Sources: MoPAD

## B. The Detailed Needs Assessment of Damages and Losses

As a follow up to the NERRP and Cairo Conference, the NCG initiated a Detailed Needs Assessment and Recovery Framework (DNA) for Gaza supported by the European Union, the United Nations, and the World Bank resulting in a comprehensive report outlining the damages, losses and needs at the sectoral level and provide a detailed recovery plan of action. The DNA, which also includes the livelihood and social protection sector, is currently under review by the NCG for endorsement. According to figures reported in the DNA, the 2014 assault caused damage and losses estimated at USD 3.1 billion and recovery needs are estimated at USD 3.9 billion.

**Table 4: Summary table of damage, losses, & Recovery Needs (\$ million)<sup>31</sup>**

<b>Sector</b>	<b>Damages</b>	<b>Losses</b>	<b>Recovery needs</b>	<b>% of total recovery needs</b>
Infrastructure	913	1,018	1,383	36%
Productive	418	451	602	16%

<sup>31</sup> The Detailed Needs Assessment and Recovery Framework (DNA) for Gaza 2015

Livelihoods and Social Protection	5	52	763	20%
Social Development	60	167	546	14%
Governance	32	-	581	15%
<b>TOTAL</b>	<b>1,428</b>	<b>1,688</b>	<b>3,875</b>	<b>100%</b>

Source: DNA

### C. The Recovery Vision and the Importance of NCG Ownership

Government-lead recovery will be executed through broad-based participation from numerous actors. Through the DNA, the NCG will mobilize and direct the remaining donor funds that were pledged eight months ago at the Cairo Conference but not yet disbursed. The NCG is leading the planning, execution, and monitoring of the recovery in cooperation with international and local partners, and is currently coordinating immediate responses to urgent needs in Gaza with international agencies. The NCG will continue to coordinate efforts of all stakeholders in the early recovery process to avoid duplication of efforts and identify gaps and optimize the use of resources available for sustainable recovery and development. During the implementation process, the people and businesses of Gaza will be at the centre of early recovery and reconstruction efforts. The NCG will adhere to the below guiding principles as stipulated in the DNA.

Key to 'recovery' in the Gaza Strip is the formulation of short, medium, and long term interventions developed in a manner that is gradual and progressive, which will have positive long term implications on sustainable development in a planned, predictable, and transformational manner. The overarching guiding principles for promoting good governance in the Recovery Framework will be dependent on the following factors:

- 1) The NCG is a single unified legitimate government in all respects and recovery in Gaza. The NCG recovery operations in Gaza will not compromise the State of Palestine's goal of achieving statehood;
- 2) Israel must allow for an enabling environment for the NCG to be able to implement its plan of recovery, if stability and peace is to be attained;
- 3) International borders must be open as stipulated in the Cairo Conference conclusions;
- 4) Goodwill between Palestinian partners is essential to move the reconciliation process forward and to resolve major pending issues related to public administration (i.e., civil service integration). This requires setting aside political differences for the benefit of all Palestinians;
- 5) Resources for the immediate reconstruction of government facilities will depend on the availability of financial resources in line with the commitments made at the Cairo pledging conference and will require follow-ups with the donor community, with whom the Government of Palestine is currently engaging.

However, the Gaza reconstruction mechanism remains only a tool to enable the reconstruction of Gaza. What is required, however, is the fulfilment of donor pledges made at the Cairo Conference in order to ensure realizations of the recovery and reconstruction process.

#### D. Obstacles and Challenges to Gaza Reconstruction

Following the devastating 2014 attack on Gaza, there are still great hurdles ahead of Gaza's reconstruction and rehabilitation. The three biggest obstacles lying ahead are the (1) Israeli blockade; (2) internal Palestinian political divides; and (3) slow progress of the donor community to meet their commitments.

The 8-year Israeli blockade on Gaza has completely debilitated most efforts to reconstruct Gaza. As the belligerent military occupying power, Israel must be held accountable to the international community for the damage to infrastructure and loss of life of the Palestinian people. The first step to rebuilding Gaza is to allow for the immediate opening of borders and the open and movement of construction material and individuals.

In addition the local authority on the ground is currently in the process of reconciling all political divisions in an effort to lead the next generation of Palestinian people toward the internationally recognized two state solution. The NCG is committed to ensuring that democratic presidential and legislative elections are conducted immediately.

Finally, although progress has been made in regard to donor pledges following the Cairo Conference, it has been slow moving. Ensuring that pledges are disbursed and fulfilled judiciously will ensure that avoidable obstacles do not further hinder Gaza's recovery.